

**MINUTES  
BOARD OF TRUSTEES OF THE  
PUBLIC EMPLOYEES' RETIREMENT FUND  
143 West Market Street, Suite 500  
Indianapolis, IN 46204  
May 21, 2004**

**EXECUTIVE SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Garland Ferrell  
Robert Welch

Others Present

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, PERF General Counsel

The Board met in Executive Session to discuss matters under IC 5-14-1.5-6.1(b)(7) and IC 5-14-1.5-6.1(b)(5).

**REGULAR SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Garland Ferrell  
Robert Welch

Others Present

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, PERF General Counsel  
Debbie Ballard, PERF Financial Staff  
Diann Clift, PERF MIS Director  
Will Frayer, PERF Staff Attorney  
Michael Horstman, PERF Chief Financial Officer  
Patrick Henn, PERF Staff Internal Auditor  
Patrick Lane, PERF Director of Outreach Services  
Cindy Osborne, PERF Minute Writer  
Mary Beth Braitman, Ice Miller  
Timothy Juergensen, Juergensen Consulting

## **ITEMS MAILED TO THE BOARD PRIOR TO MEETING**

- A. Board Update
- B. Board Book

### **I. APPROVAL OF MINUTES**

**MOTION** duly made and carried to approve the Minutes of the April 16, 2004 Board of Trustees Meeting.

*Proposed by: Robert Welch*  
*Seconded by: Garland Ferrell*  
*Votes: Four in favor, 0 against, 0 abstentions.*

### **II. OLD BUSINESS**

- A. Building Update. Mr. Lane briefed the Board on the progress of the renovation project for 143 W. Market Street. Phase 1 of the project was completed on April 16, 2004. Phase 2 will be completed on Monday, May 24, 2004. The anticipated completion date for Phase 3 is July 31, 2004. Mr. Lane noted that the investments and internal audit departments will be moving from the 125 W. Market Street building to the 143 W. Market Street building on Monday, May 24, 2004. Once this is done, all PERF staff will be housed in one building.

### **III. NEW BUSINESS**

- A. Contracts One-Year Extensions. Mr. Hartzler informed the Board that PERF is extending the following contracts for one year: Ice Miller, Wayne Uhl, ALJ, Recall Total Information Management, Mercer, Strategic Investment Solutions, Inc., and Burnley Associates.
- B. RFP for Actuarial Services. Mr. Hartzler notified the Board that PERF did an RFP for Actuarial Services. Responses for this RFP are due by June 1, 2004.
- C. IPSI Update. Mr. Kimery noted that IPSI is located on the seventh floor of the ISTA building. IPSI will have a total staff of 24 people. At this time IPSI is concentrating on hiring key supervisor positions for data operations and quality assurance. IPSI is currently waiting

on background and police checks to come back on the top candidates before final offers are made.

Mr. Kimery explained that IPSI continues to work with CSC on the transition plan because as it stands now IPSI will be PERF's service provider of SIRIS starting July 1, 2004.

Mr. Kimery noted that the IPSI Board meets every two weeks with an update meeting in the off week.

Mr. Hartzler explained that the transition from Covansys to IPSI is extremely important and all efforts are being made for this transition to be smooth without disruption of operational services. Mr. Hartzler noted that this is essential.

Ms. Julian informed the Board that IPSI is also working on a services agreement between IPSI, PERF and TRF. Ms. Julian noted that IPSI hopes to have that document available for approval at the June Board meeting.

Mr. Doermer asked what was to be expected from IPSI. Mr. Hartzler responded with saying that PERF expects IPSI will keep SIRIS operational. This is the short-term goal. Mr. Kimery noted that a longer-term goal is to expect better support and better response time than what our current contractor has provided.

Mr. Doermer inquired as to when PERF should expect a visible level of improved service from IPSI. Mr. Kimery explained that there are current discussions about changing the database server in July or August because the current server is extremely old. PERF has been told by CSC that the server is maxed out and that the server is a key culprit in slow response time and also the time it takes to run the daily batch updates. IPSI and CSC are looking to develop a strategy to have a new database server installed and tested by August so the database can be moved onto this new server.

Mr. Birge said that he would like for the Board to do a walkthrough of IPSI at one of the Board meetings.

- D. Three Claims for Survivors. Ms. Julian explained that there are three deceased members that PERF is asking for the Board's authorization to pay the beneficiary or survivor claims although the claims are being requested three or more years after the member's death. PERF is recommending approval of payment of Bonnie Jean Snyder's ASA balance to her beneficiary, approval of payment

of Johnnie E. Robinson's ASA balance to her beneficiary, and approval of payment of John W. Hensel's ASA balance to his beneficiary and the approval of the payment of the survivor pension benefit amount to his now deceased wife's estate for the period of time from his death to her death.

Mr. Doermer inquired if PERF was keeping as a matter of formal record the Statement of Circumstances. Ms. Julian noted that PERF and the Board have considered the member's extenuating circumstances in Executive Session, but due to the confidentiality of their records, the Statement of Circumstances will not be made public.

**MOTION** duly made and carried to give authorization to the staff to pay the following survivor or beneficiary claims made more than three years after the member's death: Bonnie Jean Snyder – approval of payment of the ASA balance to the beneficiary, Johnnie E. Robinson – Approval of payment of ASA balance to the beneficiary, John W. Hensel – approval of payments of the ASA balance to the beneficiary and approval of the survivor pension benefit to the estate of Rosmary Hensel for the period of time from his death to his wife's death.

*Proposed by: Richard Doermer*  
*Seconded by: Robert Welch*  
*Four in favor, 0 against, 0 abstentions.*

- E. Final Adoption of Proposed Rules. Ms. Julian reminded the Board that amendments were needed to the rules regarding changes that were made to the Internal Revenue Code by the Federal Economic Growth and Tax Relief Reconciliation Act. Ms. Julian noted that a public hearing was held, but that no one appeared and no comments were submitted in written form. Ms. Julian noted that PERF is now asking for the Board's approval of these amendments.

Mr. Ferrell asked if these amendments were to comply with IRS regulations. Ms. Julian said that they were. There were certain changes to the code regarding rollovers and annual compensation limits. She noted that these are indeed conforming changes due to the federal law changes.

**MOTION** made and duly carried to approve the Final Adoption of the Proposed Rules.

*Proposed by: Garland Ferrell*  
*Seconded by: Robert Welch*

*Four in favor, 0 against, 0 abstentions.*

- F. Resolution 04-02, Delegation of Duties for Survivor/Beneficiary Claims for Forfeited Benefits. Ms. Julian noted that this is a resolution seeking the Board's approval for beneficiary and survivor claims made three years after a member's death be delegated to PERF's Executive Director. Ms. Julian noted that PERF receives several of these requests a year and that PERF will probably receive many more this year due to data clean up initiatives and that the Board, at this time, may wish to consider this resolution.

**MOTION** duly made and carried to approve Resolution 04-02, Delegation of Duties for Survivor/Beneficiary Claims for Forfeited Benefits which delegates approval of said claims be delegated to PERF's Executive Director.

*Proposed by: Richard Doermer  
Seconded by: Robert Welch  
Four in favor, 0 against, 0 abstentions.*

- G. New Units and Enlargements. Mr. Hartzler noted that typically new units and enlargements are presented to the Benefits Administration Committee prior to bringing to the Board, but because that meeting was canceled, PERF is asking for the Board's approval at this time.

Mr. Kimery explained that PERF has four new units and 19 enlargements for current PERF employers. Mr. Kimery noted that all have been examined, the rates have been identified and PERF has all the signed resolutions.

Mr. Kimery noted that these request usually come in December and again in May or June because new units can be accepted the first of July or the first of January.

**MOTION** duly made and carried to approve the four units and 19 enlargements as requested.

*Proposed by: Garland Ferrell  
Seconded by: Richard Doermer  
Four in favor, 0 against, 0 abstentions.*

- H. Committee Reports.

1. Investment Committee.

Mr. Doermer noted that the Investment Committee selected Jacobs-Levy as PERF's small cap growth manager for

approximately \$260,000,000. Mr. Doermer requested that the Board approve this selection.

**MOTION** duly made and carried to approve the Investment Committee's selection of Jacobs-Levy as PERF's small cap growth manager for approximately \$260,000,000.

*Proposed by: Richard Doermer*  
*Seconded by: Robert Welch*  
*Four in favor, 0 against, 0 abstentions.*

Mr. Doermer noted that the Investment Committee accepted Mercer's recommendation of five transition manager candidates.

**MOTION** duly made and carried to approve the Investment committees recommendation to accept Barclays Global Investors, Deutsche Transition Group/Deutsche Bank Securities, Inc., Frank Russell Securities/Goldman Sachs, Lehman Brothers, State Street Bank/State Street Global Markets as PERF's transition managers.

*Proposed by: Richard Doermer*  
*Seconded by: Robert Welch*  
*Four in favor, 0 against, 0 abstentions.*

2. Audit and Budget Committee.

a. 2004 Budget Revision.

Mr. Ferrell informed the Board that the Audit and Budget Committee is asking for an additional increase for investment fees in the amount of \$4,551,000 for the current budget.

**MOTION** duly made and carried to approve the Audit and Budget Committee's request for an additional \$4,551,000 for the current year's budget to accommodate PERF's investment fees.

*Proposed by: Garland Ferrell*  
*Seconded by: Richard Doermer*  
*Four in favor, 0 against, 0 abstentions.*

b. 2005 Budget.

Mr. Ferrell noted that the 2005 budget request has two major increases. One is an increase of additional personnel in the amount of 20 people. The approximate amount of this request is

\$1,087,000. The second is the increase of the fee structure for investment fees for next year in the amount of approximately \$6 million, which increases the amount of budgeted investment fees to approximately \$35 million. The grand total of the proposed 2005 budget is \$56,194,555 for approval by the Board.

**MOTION** duly made and carried to approve the 2005 Budget in the amount of \$56,194,555.

*Proposed by: Garland Ferrell  
Seconded by: Robert Welch  
Four in favor, 0 against, 0 abstentions.*

#### **IV. REPORT OF EXECUTIVE DIRECTOR**

##### **A. Financials.**

- Mr. Kimery noted that the actual headcount is at 99 and that next week PERF will be at 101.
- Mr. Kimery noted that other than the request to increase the investment fees, the rest of the current budget is in good shape.
- Mr. Kimery noted that PERF is running approximately 60 days on retirements. He noted that July and August will be the heavy season, but PERF should be able to keep up with the demand.

##### **B. Operations**

- Mr. Kimery explained that PERF sent a letter to the IRS regarding PERF's 70-½ project. PERF received a response with directions on what to do, how to do it and how much it would cost – which was less than \$2,000.00. PERF sent the information requested by the IRS this week and are now waiting to see if we hear from any of the 300 people that we were unable to locate ourselves. Mr. Hartzler noted that PERF is substantially in compliance with the 70-½ project.

Mr. Hartzler noted that the Board should have received the interim Board update prior to the Board meeting. Mr. Hartzler explained that the purpose of this update is to keep the Board updated on what is happening at PERF between Board meetings.

Mr. Hartzler informed the Board that we have hired Ms. Kimberly Brown as PERF's fixed income analyst. Ms. Brown will start next Wednesday. Mr. Hartzler noted that PERF is very happy to have Ms. Brown on Board at PERF.

Mr. Hartzler notified the Board that PERF is not going to hire anyone for the alternative investments position. Mr. Hartzler noted that he has reorganized the Investments Department. He noted that there were many inequities in the salary structure and he is eliminating those inequities and will make sure that there is more pay equity in the department than was in place previously.

Mr. Hartzler informed the Board that PERF has advertised for a Chief Investment Officer (CIO). PERF has now hired EFL Associates, an executive search firm, to assist with our search for a CIO.

Mr. Hartzler provided an update on the Covansys settlement. Mr. Hartzler noted that PERF is monitoring and tracking very carefully that Covansys is living up to their commitments. Mr. Kimery noted that he feels Covansys will be challenged to get everything completed by the June 30, 2004 deadline.

Mr. Hartzler explained that PERF reported a couple of months ago on three major significant changes to the business of PERF - New Member Enrollments, Wage & Contribution Reports and Retirement Application. Mr. Hartzler noted that these changes broke approximately 45 years of tradition at PERF. Mr. Hartzler noted that many people have been working on this for months and he wanted to acknowledge all the good work these colleagues have done to make these changes. Mr. Hartzler feels that these are major changes that involve a lot of work. Mr. Hartzler noted that PERF has launched the Wage & Contribution changes and a significant number of employers have agreed to file electronically. Mr. Hartzler noted that the New Member Enrollment consisted of new forms and new requirements. There have been major changes on the Retirement Application. Mr. Hartzler explained that PERF has streamlined this process. Mr. Kimery informed the Board that PERF has scheduled training sessions for employers on June 2, 2004. There is also a training video available on PERF's website that instructs employers on how to fill out the new application. Mr. Kimery added that this video is available on a CD and will be sent to PERF's employers.

Mr. Birge noted on behalf of the Board that what Mr. Hartzler just reported on is a dramatic change to PERF and will impact the whole system in terms of PERF's ability to provide better service and do it much more efficiently. Mr. Birge added that there are many good things that are happening at PERF.



**V. DATE OF NEXT MEETING.**

The date of the next meeting is June 18, 2004.

**VI. ADJOURNMENT.**

There being no further business to discuss, the meeting was adjourned.